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Washington Merry-Go-Round

Hoover, Jr., Ties to Oil Cited in U.S. Diplomacy

By DREW PEARSON

Washington, Dec. 17 — The story of how the United States permitted British and French relations to deteriorate to the lowest point since 1864 and the part American oil companies and State Department officials had to do with it has never been told.

Probably the full story will not be told until either a Senate Committee subpoenas the documents or the State Department itself issues a white paper, as is customary, ten years later.

However, from unimpeachable sources, here are some of the highlights and details of this important and tragic chapter in our history.

The man primarily in charge of American policy at this time was Herbert Hoover, Jr., the charming, sometimes naive acting secretary of State. He was assisted from time to time by John Foster Dulles, then recovering from a cancer operation.

Secretary Dulles at all times concurred with Mr. Hoover in his anti-British, anti-French policy, and seemed personally bitter against both countries for going into Suez without consulting him.

Hoover, according to his associates in the State Department, seemed to share the anti-British attitude of his father, who was once excoriated by Justice Joyce of the British High Court of Justice for taking possession of the title deeds to a Chinese mining property "by main force."

Oil Diplomat

In any event, Acting Secretary of State Hoover did not abstain from handling matters affecting oil companies, as is customary in order to avoid a conflict of interest.

When Joseph P. Cotton was undersecretary of state in the Hoover Administration, Cotton disqualified himself from handling any problem affecting the Dillon Read investment firm, financier of the Arabian American Oil Company, because Cotton had been employed by the firm.

When James Forrestal was secretary of defense, he disqualified himself from Middle East oil decisions because he had been president of Dillon Read.

Hoover has been an oil diplomat from years. He was the oil companies' ambassador in Venezuela, Chile, Peru, Brazil and more recently Iran.

Hoover's company, United Geophysical, has been retained at one time or other by most of the big oil companies. He was also a director of Union Oil of California, which has arranged at prospective marriage with Gulf Oil.

An estimated 92 per cent of Gulf's crude oil reserves are in the Middle East—22 billion barrels.

Gulf, of course, is controlled and largely owned by the Mellon family, whose founder, Andrew Mellon, was secretary of the

Treasury under Coolidge and Hoover. The Mellon and Hoover families have been close.

Herbert Hoover, Jr., with both financial and family ties to Gulf Oil, did not disqualify himself from State Department decisions affecting oil. On the contrary he made most of the major Middle East decisions after Dulles became ill—until gradually the President, alarmed at the drift, began to take a personal hand.

No Oil for Allies

It was Hoover who primarily laid down the policy that no oil must be shipped to England and France.

All during the Suez crisis, State Department associates say that Hoover was adamant in his determination to appease the Arabs. It was he who during the crucial night conference at the White House November 5, one day before election, warned that Russia planned war.

He was so panic-stricken that the entire multi-billion-dollar oil reserves of the Middle East would fall into Russian hands that the Strategic Air Command was alerted, and all atomic ships with atomic installations were ordered out to sea.

Allen Dulles, head of Central Intelligence, finally, quieted Hoover's fears and persuaded the President that Russia was bluffing.

However, it was "on" that night, and largely as a result of Hoover's panic, that Mr. Eisenhower rushed stern messages to Prime Minister Eden and Premier Mollet demanding that they cease hostilities in Suez.

Ambassador Douglas Dillon in Paris has now publicly admitted the truth, despite State Department embarrassment, that this, not desire to work with the UN, caused the cease-fire.

Whatever the reasons, however, and no matter how foolish the original attack, the resulting cease-fire left the French and British out on the worst limb in a good many years of history, with the canal one-quarter occupied and three-quarters blocked. They became the laughing stock of the Arab world.

It was at about this time that President Eisenhower agreed to hold a three-power conference with Prime Minister Eden and Premier Mollet in Washington to repair some of the damage done by the Suez mess. When Hoover learned of this he communicated with Secretary Dulles in Walter Reed Hospital, and Dulles persuaded the President to withdraw the invitation already extended to Eden.

Hoover's and Dulles' strategy was partly to curry favor with the Arab world, partly to punish the French and British for acting without consulting the United States. This incidentally, was one reason the French and British got so sore when Dulles in Paris last week reserved the right to act without consulting our Allies.—(©1956)